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The MANAGEMENT REVIEW

August, 1933

Managerial Centralization vs. Decentralization Under Present Conditions*

By ERWIN H. SCHELL,

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Massachusetts Institute of Technology*

THIS paper will consider the problem of *managerial* centralization vs. decentralization rather than that which is concerned with the physical aspects of an industry. In other words, it will be confined to the nature and contour of the executive organization.

The small plant obviously has a centralized organization because it is of itself small, and there is little opportunity for decentralization. As it grows and as its distribution spreads over a national market, the question arises—to what extent should its executive structure tend to be decentralized?

We should begin any comparison of centralization and decentralization with the fundamental idea that they are, as Dr. A. Lawrence Lowell expresses it¹, "conjugate principles . . . mutually contradictory or inconsistent and yet each . . . partially, or under some conditions true." And, as he says, "It is in the debatable area between conjugate principles that many controversies arise, and the true problem in such a case is not to argue their inherent truth but to discover their appropriate limits."

Emphasis upon managerial centralization or decentralization may properly vary with industries or with establishments within an industry. Such

* Presented at the A. M. A. General Management Conference held at the Hotel Pennsylvania, New York, N. Y., May 18, 1933.

¹ "Conflicts of Principle," by Abbott Lawrence Lowell. Harvard University Press, 1932.

The object of the publications of the American Management Association is to place before the members ideas which it is hoped may prove interesting and informative, but the Association does not stand sponsor for views expressed by authors in articles issued in or as its publications.

emphasis will also continually vary with changing conditions. In this paper, however, we shall consider only the broad effect of present conditions upon this problem of managerial structure.

Centralization and decentralization each have their virtues. Managerial centralization permits the organization to capitalize upon the services of specialists. It frequently has been productive of high economies in operation. It offers a basis for close control through standardization of method. Decentralization of management has the advantage of greater sensitiveness to local requirements, greater dependence upon results through close contacts, greater flexibility in meeting variations in local conditions and greater distribution of executive risks.

A review of past trends is not enlightening. On the one hand, we find a growing significance of markets and transport and a lessening significance of labor and power. These tendencies justify the physical decentralization of industry and of executive structure. But we find that the tendency to introduce new functional activities has increased executive personnel in the higher ranges of responsibility. Indeed the anticipated economies of this form of control frequently have offered the excuse for mergers and consolidations so prevalent in past years.

External Conditions

There are three aspects of external conditions which demand attention, namely, governmental activities, competition of new industries and present market status.

The activities and influence of the federal government in relation to practically all of the factors which go to make up the round of industrial activities, will transcend in the next few months anything that this country has ever seen. Inevitably, there will be experimentation; and, in the preparation of important legislation, governmental agencies will collaborate much more closely with manufacturers than ever before. It is of the utmost importance to every industry that its management maintain closest possible contact with plans and proposals as they are in process of formulation for ultimate legislation; for the passage of federal emergency regulations relative to industry will introduce more abrupt changes in the status of manufacturing than any other economic factor. Here is a managerial problem of the first degree. It is an administrative responsibility calling for the attention of the highest executives in the organization.¹ I venture to assert that we shall see in many of our American industries a renaissance of authority and influence in the position of chairman of the board; for at this point contact between corporate organization and governmental regulations naturally should occur. Here the true relationships between the rights of stockholders and those of

¹ In this paper "administrators" are spoken of as the men at the top of the organization who determine policy, and "executives" as men who carry out policies.

the public are more clearly visualized. I hardly feel that a man who reports to the stockholders is in quite the same position to deal with this problem as the man who is standing for the stockholders. Furthermore, it is highly probable that in the coming months the responsibilities upon the president of any company will be so great that he cannot personally maintain the necessary close relationships with trade associations, governmental agencies and economic boards. Indeed, the government will deal with associations of one sort or another and the management of the individual concerns will deal with the government through their associations. Obviously this requirement scores a point for administrative centralization.

The advent of new competition brings hazard in its most insidious form. In those industrial areas where manufacturing can be undertaken without large expenditures of capital the so-called "distress" industries present a serious problem. Leasing manufacturing space at distress rentals, purchasing equipment at distress prices, buying materials and supplies under small-lot distress conditions, hiring labor at distress rates—these establishments can, and do, produce competitive products of equivalent value to those now on the market and at sales prices sufficiently below normal to assure twenty-four hour output and at the same time yield inordinately wide margins of profit.

The most serious mistake that any manufacturer can make is to deal with this type of competition lightly. Many of these organizations are storing up comfortable reserves; many are well-managed; and freed as they are of the barnacles of fixed assets purchased at romance prices, liberated as they are from the demands of inheritor stockholders, they are in position to establish their business on a lasting basis.

Many of these organizations are still small; many of them are still serving a local market; many of them will no doubt learn the folly of expansion beyond the service which they profitably may yield to their more immediate customers. Obviously, these organizations will continue to benefit from this close contact with the needs of their markets. They will doubtless capitalize the newer developments of serialized production which permit these economies to be enjoyed on a smaller scale of production than hitherto was thought possible.

This form of competition must necessarily force decentralization of management upon certain of our established manufacturing organizations which are serving a national market, if these larger and older organizations are to endure. It is an unvarying rule that business conditions never return to an old normal, but always find a new level of equilibrium. In this readjustment competitive variations in *basic* costs afford the greatest hazards to existing industries. After all, the art of management is merely the taking of what one has and doing with it, and if what one has is basically not as advantageous

as what some one else has, there will be an ultimate inequality in costs because management methods tend to assume a parity over any period of time.

New competition has also assumed the form of encroachment upon existing markets by strong industries whose present products are losing ground. A great manufacturer of public utility equipment undertakes the production of household furniture for the tens of thousands of employees of its parent company. A powerful organization specializing in producers' goods turns its attention to new lines of consumer products wherein its reputation for quality and design may be further capitalized. There is hardly a large producer today who is not contemplating the manufacture of new by-products which may lessen the burden upon fixed charges.

These trends demand increasing vigilance on the part of present organizations who may ultimately find refuge in specialty manufacture, which requires even greater sensitiveness to special market demands.

Finally, we have to deal with the present condition of our markets. One of the characteristics of the depression has been the unevenness with which it has affected different areas. The point is too obvious to require further emphasis. It is clear that under such conditions, factors of flexibility and contact assume abnormal importance in any managerial policy. The two factors which more than any others influence distribution policies are the depth and extent of regional purchasing power. Greater stress upon managerial decentralization must result from this new demand for sensitiveness to local situations.

More than this, an extended depression leaves certain predictable market after-effects. We may be sure that for some time people everywhere will

- a. Spend more cautiously; enter into all business transactions with greater care, more reliance on facts, proof and logic than on emotional appeal.

- b. Purchase more discriminately; make nicer adjustments between mass production products and specific local requirements.

- c. Be emotionally susceptible to local friendships and loyalties as a result of the binding quality of past adversities.

The last point has been challenged by some. They admit the presence of community loyalty but believe that, when the act of buying occurs, value in relation to price will determine the purchase irrespective of local conditions. I feel, however, that local sympathies expressed in the form of advantages offered to local concerns by banking institutions, transportation companies or the like, are significant. Indeed, in certain sections of the country where the depression has been very heavy, strong and effective local loyalty has sprung up.

These marketing attitudes may not justify the decentralization of production but they certainly will make necessary new distributive emphasis designed to neutralize the competition of local industries.

Internal Conditions

From the standpoint of present internal resources and facilities there is little to favor a policy of managerial decentralization. The scarcity of working capital as well as the absence of a market for the sale of corporate securities leaves little in the way of funds for the purchase of the fixed assets probably necessary to any decentralized program. Again, existing processes have been surprisingly improved with the advent of new forms of serialization and the marked economies resulting from simplified motion analysis and similar refinements. Present over-capacity will make material increases in output possible with very little addition to existing expenses. Furthermore, when business conditions improve the time is inopportune to turn executive attention to problems of reorganization as the demand of the moment will be for operation. Finally, the existing operating personnel is no doubt one of the highest quality with habituated skills of very real value in competition.

Nevertheless there is one aspect of readjustment to present conditions which is still a point of difficulty with many organizations. Near the top of the executive structure a rather bulbous condition has developed during the past period of declining business. This upper group of subordinate but important executives is comprised of men who literally *are* the business. Their ability, judgment and energy contributed to its prior glory. These men have invested not only their lives but their savings in the business and are frequently the important stockholders.

During the present stress it has been only natural that they should draw together with the chief executives seeking group shelter. With the brighter outlook, however, we find those in command facing the continued unbalance caused by this executive factor yet feeling to a lesser degree the responsibility for safe-guarding those whose careers in the past have been so essential a part of the business. It is inevitable that in the best interests of the company this enlarged aspect of the organization structure be dissipated.

There are but three alternatives—to disband, to demote or to decentralize this group. The chief executives properly hesitate to release associates on whose efforts they have in the past been so dependent. They do not want to impose reductions in rank upon past reductions in income. They do not want to assign new and unfamiliar activities; for these men are not young, and radical changes lessen effectiveness.

It is important to observe, however, that new surroundings provide an unusually propitious atmosphere for the development of new routines. In addition, there is the resource of experience and industrial background which may prove invaluable in integrating present company resources with decentralized demands. Furthermore the company may capitalize the loyalty and family spirit which has been developed among this personnel over past years.

Administrators should give full weight to the intangible values which inhere in these men. The immediate future will call for wisdom as well as intelligence and energy; and this is a resource which, for any given concern, cannot be purchased on the spot market.

As managerial emphasis concentrates itself at points of difficulty we shall see an elongation of the executive and administrative pyramid. New external industrial and governmental relationships will require new and centralized emphasis in the highest administrative areas, while the rapidity of changing conditions will demand increased centralized responsibilities of the president and his immediate advisors. On the other hand new forms of competition and the unique nature of the present market and its buying attitudes will call for greater emphasis upon executive decentralization. We may look for heightened and centralized administrative responsibilities—we may anticipate broadened and decentralized executive responsibilities.

There are certain pivotal questions around which major decisions may well turn:

Precisely where do my greatest immediate problems originate? In other words if I am to solve my difficulties at their source, just where must I concentrate my organization brains?

Assuming equal managerial ability, what basic elements in manufacturing cost can my new competitors obtain more cheaply than I?

What competitive factors will become strengthened through my adherence to existing managerial structure? In other words, in what aspects of my present competitive situation is time playing against me?

In view of the answers to these questions and assuming for the moment that *all important executives* are of identical rank and remuneration, how should their position (location) and individual responsibilities be reCOORDINATED? (or)

Assume for the moment that I could dispose of present interests and undertake business entirely anew with my existing executive personnel, just how would my managerial structure differ from that of the present? Could a new competitor follow a similar plan; and, if so, could I successfully compete with my existing facilities?

This question of managerial centralization or decentralization is but one aspect of the broad problem of readjustment to present conditions. Nevertheless it is vital; for, in the last analysis, industry is made of human stuff.

THE MANAGEMENT INDEX

Abstracts and News Items

GENERAL MANAGEMENT

What the Industrial Recovery Act Means to Business

Too great reliance by business upon the suspension of the anti-trust laws under the Recovery Act will not be wise, the author warns in this discussion of the scope of the Act and the developments which led to its enactment. There is nothing new or radical about the law, he says. We've been heading toward it right along through the activities of the Federal Trade Commission. By H. A. Toulmin, Jr. *System and Management Methods*, July, 1933, p. 295:4.

Managed Progress

The term "Managed Progress" is used to designate the trend of thought which recognizes that capital must accept the social as well as the economic responsibilities of our industrial system. There is evidence in many industries and trades that the leaven of the scientific spirit is replacing hunch by facts, and that what is being sought is not a new utopia but a more widely applied use of the accepted and proven practices of enlightened business leaders.

Never was there greater opportunity for intelligent trade association leadership, or for the acceptance of the principle of the trade association as the instrument for collective action. Unfortunately, most of our discussions of the trade association problem have been promoted from the viewpoint of legal action. Most trade associations were established to fight something. The new and essential economic viewpoint calls for a kind of thinking and a kind of

statesmanship in the interpretation of the general good of the industry that far transcends the selfish purposes of the association, if the selfish purposes themselves are to be attained.

American business is undertaking to rewrite a competitive philosophy in terms of a new individualism. Before this can be achieved, trade associations must determine and be governed by comprehensive answers to the following questions: 1. What is the public interest? 2. What are the purposes or objectives of the organized industry itself? 3. What percentage of the industry does the group represent? 4. What are the conditions in the industry that need correction? By Frederick M. Feiker. *Mill & Factory*, June, 1933, p. 21:3.

The Trade Associations Are Ready

American trade associations, by agreeing to enter a partnership with the Government, must necessarily face the bar of public opinion on the grounds of their worthiness to become a participant in such a relationship. Their activities in the fields of finance, accounting, production, research, standardization, inspection, certification, marketing surveys, credit, employee relations, and advertising are reviewed and approved. The author concludes that "the trade association as developed in the United States provides a matured technic of self-regulation adequate to the opportunity envisaged in the national industrial recovery legislation. That this experience has been accumulating for many years through the public interest of business groups assures

a larger measure of usefulness under federal recognition is argued by the consistent voluntary quality which has characterized it through its formative period." By Raymond Willoughby. *Nation's Business*, July, 1933, p. 35:5.

Trade Associations Face Acid Test

A thousand new trade associations will be formed within the next few months, all with high hopes and profuse, easy promises. Most of them will fall short not only of expectations but also of easy possibilities, and some will come to real grief. With the greatest opportunity in the history of American business ahead of them, only those will succeed which have adequate management. No statute can abolish economic principles and the managers of trade associations must accept and temper their activities to meet those principles. If the objective is the maintenance of standards of integrity, quality, competitive conduct and value in business, no single set of rules will be adequate for all industry. To achieve the objective, each trade association manager must determine, adopt and enforce the particular methods necessitated by the type of commodity produced, its place in the chain of distribution, and the type of distribution, of consumption, pricing and, finally, of management in the industry. By John M. Byrne. *National Sphere*, July, 1933, p. 13:2.

American Policy in the Pacific

Edited by Ernest Minor Patterson. *The Annals of The American Academy of Political and Social Science*, July, 1933. 274 pages.

Business Ethics and Codes

A selected list of references covering business ethics and codes for trade associations, compiled for the use of organizations which are preparing tentative codes in compliance with the National Industrial Recovery Act. *Bureau of Foreign and Domestic Commerce*, June 12, 1933. 5 pages.

Can Stuffed-Shirt Presidents Survive Under the New Deal?

When President Roosevelt signed the National Recovery Act, he tossed into the lap of every company head a new batch of business problems which cannot be solved in any way other than through the president's active personal effort and intensive personal leadership of company affairs.

During the palmy days company presidents conceived the idea of clean desks. It was a mistake for them to waste time on details. Now they have been passing the work on for so long that many are out of touch with their customers and their own working methods—a condition which will have to be changed radically if they are to steer company affairs intelligently under the new government program. By Saunders Norvell. *Sales Management*, July 15, 1933, p. 61:4.

Organized for the Job Ahead

The text of the National Paperboard Association's plan for industrial stabilization. *Factory Management and Maintenance*, July, 1933, p. 251:4.

Forty Rules for Planning Successful Meetings and Conferences

By Glenn A. Bowers. *World Convention Dates*, July, 1933, p. 12:3.

Muscle Shoals

The projects undertaken by the Government in the Tennessee Valley involve a variety of enterprises which will require many years for completion. In certain instances, notably the production of electric power and fertilizers, the implications are that the Government will enter into direct competition with private industry. After reviewing the scope and nature of the Government's program, the conclusion is advanced that "the Muscle Shoals project has been called an experiment and as such it must still be regarded until its accomplishments can be analyzed from the viewpoint not only of the states directly

concerned but of the entire country." *The Index*, (New York Trust Company), June, 1933, p. 101:6.

Oil Proration: An Analysis and Evaluation

Regulation of the oil industry through the method of proration is discussed under the headings: recent developments in the oil industry; conservation through proration; the machinery of proration; the response to the proration program; oil in foreign trade; an evaluation of the proration method. By George Ward Stocking. *The Journal of Land and Public Utility Economics*, May, 1933, p. 135:10.

American Standards Year Book

To what extent the efforts of American industries toward self-regulation have been successful is shown in the 1932-33 edition of the American Standards Year Book.

This summary of the present status of the standardization movement records the establishment during the past year of 31 new national industrial standards, affecting nearly every major industry, as well as the cooperative achievement of nearly 3,000 scientists and engineers representing more than 500 national technical and trade organizations in the development of a unified system of basic technical standards. *American Standards Association*, 1933. 44 pages.

Today's Need—More Planning and Less Executing

Business and government, like the steam engine, must be equipped with a governor which will prevent them from adopting any program which does not pay for itself within its lifetime, says the vice-president of General Motors Corporation. Industry will begin to prosper again when it offers people products which they want more than anything they now have. In the creation of these products research will play a major rôle. Research is just as vital to industry as engineering, production, finance and sales. We must originate new ideas and new products. We must do more planning and less executing.

Our dissatisfaction with things as they are today is a sure sign that we will emerge from the present depths, for dissatisfaction more than anything else breeds progress. The development of the machine will not halt. It will play an ever-growing part in bringing on the market new products at reasonable prices which people will want. By C. F. Kettering. *The Iron Age*, May 11, 1933, p. 733:3.

"The New Partnership of Government and Business"

The provisions of the business recovery, the public works, and the farm relief bills are analyzed in the light of the industries most likely to be concerned with the possible effects on business stability, profits and securities. The author concludes that "whether this advance in the direction of state socialism is wise in the long view or not, the practical appraisal of it for the short view would appear to be that it will be directly stimulative to business in a number of depressed industries, reassuring to all, and enormously encouraging to the public morale." By Theodore M. Knappen. *The Magazine of Wall Street*, May 27, 1933, p. 106:4.

Mortality of Business Firms in Minneapolis, St. Paul, and Duluth, 1926-1930

An intensive study of business mortality in three cities of Minnesota discloses that although the average life of firms does not vary greatly from the general average of 6.6 years when they are classified according to the type of business in which they were engaged, the divergence from the average becomes much greater when the classification is made on the basis of net worth. In the latter case, the average life of business firms varies from 5.2 years for concerns with a net worth of less than \$2,000 to 33.2 years for those with a net worth of \$500,000 and over.

The principal causes of business mortality were found to be: 1. inefficient management; 2. lack of capital; 3. unwise extension of credit; 4. poor location, and 5.

an excessive number of competitors. Insofar as the respective causes of failure may be isolated, they are important in the order named.

After reviewing the personal and social waste which results from an excessive turnover of business firms, it is suggested that, in the absence of direct governmental intervention, the credit departments of mercantile and manufacturing companies may lessen the burden by refusing to extend credit to new enterprises which appear to be inadequately capitalized, poorly managed, or inadventagously located. Concerted action in this direction is admitted to be a difficult undertaking but it is pointed out that "the possible gains . . . make a study of ways and means of improving the quality and limiting the number of entrants into any business field worthy of the serious consideration of those interested in business

stability." By Ernest A. Heilman. *Bulletin of the University of Minnesota Employment Stabilization Research Institute*, May, 1933. 30 pages.

Some American Proposals for War Debt Revision

This bulletin presents a group of proposals which call for some settlement of war debts owing to the United States that does not involve outright cancellation. They include: Payment in the Form of Bond Issues; Payment in the Form of Existing Negotiable Securities; Payment in the Form of Colonies, Goods, and Services; The Use of the Debts in Tariff and Disarmament Bargaining; Reductions Related to American Exports to the Debtor Countries. Edited by E. L. Bogart. *Bulletin No. 47, Bureau of Business Research, University of Illinois*, 1933. 45 pages.

Public Relations

Public Relations in the Utility Industry

The electric utility industry, in common with many others, has entered a period of transition in which the certainty of many changes can scarcely be doubted. A choice of two definite courses is now open to each company. It must decide whether it is preferable to solidify its position in our social and economic life by self-confession and correction in accordance with revised relationships, or whether it will submit to change only after insistent coercion which will eventually not only submerge the personality of the company involved, but may result in its corporate extermination. "Statesmanship," the author maintains, "has indeed become an imperative requisite in utility management."

The relations with consumers should be continually reviewed by every company. An effort should be made to dispense with arrogant treatment and companies will do well to review all policies concerned with the speed and method of rendering service, the tact and judgment desirable in handling complaints and corrections, the soundness

and public acceptance of varying types of rate structures, and the opportunities for improving customer contacts by effective and continued sales programs to domestic, commercial and industrial customers.

The very fact that the central station is so concerned with the general well-being and improvement of the territory in which it operates makes it imperative that it assume its many community obligations with willingness and enthusiasm. Frequent contacts with customers will do much to help formulate sound central station policy.

The urgent need for taking immediate steps to protect the utilities in some of the future developments which may be expected will necessarily bring the utilities and the regulatory commissions into more harmonious relationships. Utilities may find it preferable in the future to dispense with the services of most of their legal talent and rely more completely on the business ability of their own executives. The problems which will be discussed with regulatory boards will be those of eco-

conomic expediency and not constitutional rights.

The author states that management must now decide whether it should reduce its personnel to the lowest possible limit of size and increase wages when conditions improve, or whether it should increase the number of its employees and reduce their working week with a resultant decrease in compensation. In either case, the utilities will soon find themselves, in common with industry in general, compelled to operate some form of unemployment insurance which will be cared for through the establishment of adequate unemployment reserves.

The conclusion is advanced that "the

new type of management, whose advent is already evident in the electric industry . . . will be motivated by new incentives in the performance of its obligations and can be expected to attain a position of honest dealing and integrity which is beyond reproach." Never before were the actions of influential men of affairs invested with such far-reaching responsibility. High finance and big business must now ponder how proposed acts will affect our entire social structure. By John M. Whittier. This paper received the B. C. Forbes Award for the best paper on the public relations of electric light and power companies. *Forbes*, June 15, 1933, p. 16:3; July 1, 1933, p. 14:2.

FINANCIAL MANAGEMENT

Sound Money vs. Inflation as Essential to Business Recovery

"Sound money" is defined as "a measure of commodities in something in which the people have continuing confidence that in itself is fixed and constant in quantity in the nominal measure, that carries within it such elasticity as to outstanding amounts as will satisfactorily meet the business requirements of the nation in their normal rise and fall, that provides a coiling to its powers of expansion that will stop an ascending curve of accelerated business activity with the least possible harm, that will contract sufficiently to reduce the tax of carrying it during a descending curve of business and that will expand sufficiently from the lower part of the curve to make possible the rebuilding of the business structure when deflation has reached a normal low." On this basis, the author belittles criticisms of the gold standard and criticisms directed at the alleged maldistribution of gold. He admits the fascination surrounding an illusion of a community in which everyone has plenty of money but concludes that "the building up of industry so that it may be earned is the only safe and effective way to provide men with

money. Inflation that means the distribution of gifts may carry a temporary stimulation to business, but it will be followed by the activity of the inevitable forces of destruction which have been the aftermath of all such attempts to meet financial problems throughout history." By Fred I. Kent. *Trust Companies*, June, 1933, p. 665:5.

The Glass-Steagall Banking Act

Although this Act undoubtedly represents one of the most important pieces of banking legislation since the creation of the Federal Reserve System, the possible effects of the law are open to conjecture. The author maintains that the steps taken do not go to the root of our banking difficulties. "The law fails," he says, "to provide a unified system; even those regulations which are beneficial are limited to member banks as a class and will tend to increase the dangerous competition between our various banking systems. These restrictions combined with the dangerous features of the insurance plan will prove particularly burdensome on the strong and conservatively managed banks without the benefits which would have accrued to them

from the strengthening of our banking system and the elimination of unsound competition. It is more than likely that, while some of these institutions may resign immediately, the greater number of them will attempt to have some of the more burdensome of these provisions set aside by court ruling. Failing this, they may be compelled to leave the Federal Reserve System in self-protection. The insurance plan will tend to increase the abuses which the law was intended to correct by eliminating the fear of loss on the part of the great mass of depositors." By Herve Schwedersky. *Barron's*, June 26, 1933, p. 3:2.

Controlling the Expense Budgets

In budgeting operating expenses, the following requirements should be considered:

1. Separation of fixed and variable charges;
2. Classification into factory, selling, administrative and miscellaneous expenditures.

The following classification of expenses are considered: manufacturing; advertising and selling; administrative and general; miscellaneous. By Albert J. Wiley. *The American Accountant*, May, 1933, p. 143:2.

America's Bank Record

Over half of the total bank failures which have occurred in this country since the Civil War were an added incidence to the events of the past four years. A study of the situation reveals that the main work is still to be done in the matter of banking reform.

Trends of growth and failures in American banking have not been consistent with either population or production trends. The number of active banks reached its peak in 1921 and has been declining ever since; only 25 per cent of the reduction, however, can be assigned to consolidations and voluntary liquidations. If the number of failures in each year is compared with the number of banks operating at the end of the year, the annual mortality rate for the period from 1921 to 1932 averages about 2 per cent for national banks, 3 per cent for state banks of the Federal Reserve

System, and $4\frac{1}{2}$ per cent for non-member banks. These figures do not seem high, the author states, "but cumulatively, over a period of years, they have exacted a tremendous toll." Over 50 per cent of the bank failures in the United States between 1921 and 1931, inclusive, were in banks with capital stock of \$25,000 or less, whereas only 0.5 per cent involved banks with capital stock of \$1,000,000 or over. The total deposits in the banks suspended since 1865 aggregate approximately \$10,000,000,000. Although depositors have received about 67 per cent of their deposits in suspended national banks, the time required has many times offset the value of the money returned. By R. R. Forster. *Barron's*, May 29, 1933, p. 9:1.

The Commodity Exchange, Inc.

The merging of facilities for trading in rubber, silver, silk, hides, copper and tin marks a new era in commodity marketing. The market is afforded greater breadth and flexibility due to the concentration of brokers on a single trading floor. The president of the new organization states that the exchange "will provide a market for six commodities of international importance, produced in diverse quarters of the globe and utilized in large quantities in this country. The Commodity Exchange will occupy the position of the foremost world market on which producers, dealers and consumers can hedge inventories, hedge forward contracts or enter into time dealings." By Jerome Lewine. *Commerce and Finance*, July 5, 1933, p. 577:4.

The Question of Writing Down Plant Assets

Advantages of certain write-downs; lopping-off conservative practice; objections to write-down; effect on creditors and security holders; determining amounts of adjustment; disposition of the charges in the accounts are topics which are considered. The author's attitude is summarized as follows:

1. Normal accounting practice contemplates valuing plant assets at cost with ade-

quate provisions for physical depreciation and for obsolescence; 2. Obsolescence due to factors of demand is an important factor frequently not recognized; 3. It is advisable at this time to see that accounts are cleared of all definitely useless assets and that obsolescence is fully provided for; 4. Fundamental changes downward in the price level have in some cases resulted in such considerable disparity between book and present fair values that adjustment of book values is warranted; 5. Such readjustments result in lower fixed depreciation charges in the future and may thereby benefit the competitive position of the concern; 6. Readjustments of plant valuation destroy the continuity of the plant accounting and their wisdom may be questioned when the effect of the depression is past; 7. The effects on creditors and security holders require most careful consideration; 8. Amounts should be determined by systematic methods and not arbitrarily; 9. Present reproduction value is not necessarily a fair basis on which the accounts may be restated—utility and earning values must also be considered; 10. Accounting opinion is not fully crystallized regarding the propriety of charging plant readjustments as capital losses without first exhausting the earned surplus of the company. By Donald P. Perry. *The American Accountant*, May, 1933. p. 139:4.

Standard Costs on the Instalment Plan

Actual cost systems are of little use during a depression, according to the author. Prices based on actual cost cannot possibly create sales in a competitive field, and inventories at actual cost overstate the profit or understate the loss.

The writer recommends the use of a standard cost system, under which variations in production costs that are due to abnormal or subnormal manufacturing operations are eliminated. This system also has the advantage of providing a comparison between actual and standard conversion costs, thereby disclosing inefficiencies. A method is outlined whereby the transition from an actual to a standard cost system

may be made in instalments, thus overcoming the objections of those who oppose a change of method at this time because of the expense involved. By William V. Lindblom. *The Iron Age*, April 13, 1933, p. 580:3.

What the Securities Act May Do

There is reason to believe that the scope of the Securities Act, which may prove to be the most important piece of legislation passed by the last Congress, is not fully appreciated by those whom it is most likely to affect—manufacturers and merchants who, from time to time, need to raise additional capital for the beginning of new enterprises or the extension of existing ones.

The Act was designed primarily to protect the buyer, to give him the fullest possible information about the securities he accepts in return for his money and to penalize those who undertake to deceive him by making false statements or concealing the truth. It is highly probable that the means adopted to accomplish this purpose may render existing methods of marketing securities untenable from the point of view of the investment bankers. In such event business men, finding old ways of raising money closed and finding also that commercial banks are reluctant to make loans for capital investment, may be forced to depend upon the earnings of the business for future expansion and to build up larger surpluses at the cost of dividends and wages. *Nation's Business*, July, 1933, p. 39:3.

Valuations in Balance Sheets

Various bases of evaluation of assets on financial statements are summarized in this article. The inspection of a balance sheet of any large corporation will disclose illustrations of each of the following groups: 1. historical records; 2. conventional modifications; 3. official authorizations. The majority of the items will be based upon historical records wherein each is supported by valid records or documentary evidence. The various reserves appearing usually

will be the result of applying standard rules of modification, such as reserve for depreciation, reserve for bad debts, etc. In nearly all such balance sheets, there will appear some item, the amount of which has been fixed by official authorization. Usually in connection with these there should be some disclosure with regard to the authorization. For example, if some fixed asset is displayed at an appraised value instead of at cost, that fact should be indicated. By Charles B. Couchman. *Profit*, April, 1933, p. 1:2.

Collection Letters that a "Humanist" Would Write

Believing that poor collections are due to poor collection methods, the author advances the proposition that the creditor who most ably applies the "principle of expectancy" plus a sympathetic understanding of the debtor's problems, will get his money while the other fellow waits. In support of this proposition, the author analyzes the factors which make collections difficult under existing conditions. Five form letters designed to meet the situation are presented. By Maxwell Drake. *The Red Barrel*, May 15, 1933, p. 8:4.

Deflating the Balance Sheet to Inflate Earnings

The desire to show profits has caused many companies to write down the valuation of their plant and equipment. The author reviews the motives for this action and appraises them from a long-time standpoint.

He points out that heavy write-downs do not appeal to established business organizations; they see no purpose in juggling the cost of their fixed assets from decade to decade as the wind happens to blow. Wear, tear, and obsolescence occur each year and properly represent a cost to be considered and weighed in when computing the year's earnings.

If invested capital is wiped out in one fell swoop instead of being apportioned over

the years of useful life, later years will not bear their share of the cost of obsolescence. If assets are marked down to "market" value, which today is really distress value, there is no assurance that coming years will not demonstrate that value to be excessively low. By William R. Donaldson. *The Iron Age*, May 18, 1933, p. 773:3.

Investing Depreciation

When depreciation is added to the cost of production, property is handled in the same manner as material; that is, the property is considered as being consumed by the amount of depreciation which is taken from it. If, however, depreciation is taken away from profits, the very act of so doing sets aside an amount of profit for a definite purpose. The latter method of treatment takes cognizance of property as being a portion of the capital and, as capital, should be kept alive, and not be permitted to stagnate or atrophy. It is essential that profits so set aside should be invested in order that they may be available when required for renewal, replacement or extraordinary repairs. Since the availability and safety of principal should be of paramount importance in investing depreciation, the author concludes that the type of investments should be restricted to such securities as are legal investments for savings banks, estates and other fiduciary institutions. By Charles Hecht. *The Certified Public Accountant*, June, 1933, p. 338:3.

Our Outdated Accounting

Our accounting is defective only because it is behind the times. Accountants, whose job is in part to use terms as well as figures exactly, cling naturally to terms with well-defined meanings. The result has been that when new situations have come into business practice the accountants have fitted the new conditions into the old terms, and the definitions no longer quite hold. The introduction of no-par stock, for illustration, has absolutely destroyed whatever

was left of the old conception of capital stock—and even before that introduction modern financial devices had obliterated much of the original significance of par stock. The fact of accounting importance is investment and what has become of it, whether it is represented by one type of evidence or by another; and the only fact of importance regarding the form which the certificate of ownership takes is the relation between different classes of stockholders, and between the corporation and its creditors—legal matters that the accounts can easily take care of when the legal situation is known.

There is no reason why our American accounting should be outdated. In default of a new vocabulary, adequate to cover the multiplicity of relations in our modern financial world, or while one is developing, accounting must more clearly differentiate things that are not alike and add qualifying terms to old names that are now ambiguous. By William Morse Cole. *Harvard Business Review*, July, 1933, p. 478:12.

Social Aspects of Commercial Banking Theory

Interest has been focussed on sound banking principles as a result of the large number of bank failures in recent years. Sound banking from the banking standpoint may not be in the social interest. Orthodox commercial banking theory ad-

vocated the self-liquidating commercial loan chiefly because of its short maturity. The development of security markets led commercial banks to invest in bonds and extend security loans, which was not objectionable from the banking viewpoint. Banks create deposit currency through bond purchases and the expansion of security loans not based on capital funds or savings deposits. Deposit currency expansion of this sort is undesirable because: 1. It gives rise to investment inflation; 2. Investment inflation cannot be readily controlled; 3. The existence of investment inflation interferes with the proper control of commercial credit expansion. Assuming central banking control to have been ineffective and inflation to exist, deflation becomes necessary. A deflation of commercial bank credit, however, has fewer social ill effects than a deflation of investment credit. Practical reform to insure the prevention of investment inflation involves: 1. A more complete legal and actual differentiation between demand and time deposits than now exists; 2. Segregation of assets of savings departments in commercial banks; 3. A restriction of assets of the commercial departments to self-liquidating, working-capital loans and reserves. Some alteration of central banking credit policy is also indicated. By Frederick A. Bradford. *The American Economic Review*, June, 1933, p. 217:17.

Insurance*

Insurance in London Lloyds

The process of insuring with these organizations is quite different from that found in dealing with either domestic or foreign insurance companies. The distinction between the two insurance plans are pronounced and, according to numerous cases cited, difficulties frequently arise in adjustments of losses. Customs vary in the different countries which may result in a quite different interpretation of policy contracts; it is pointed out that the pur-

chasers of insurance ought to acquaint themselves with the methods used to avoid disappointment at time of loss. By Nathan H. Weed. *The Weekly Underwriter*, July 1, 1933, p. 34:2.

Marine Underwriters Not Generally Liable for Damage by Rain

The question of whether the marine underwriter is liable, under a marine policy, for damage done to cargo by rain water is not altogether settled. In many coun-

* Insurance abstracts are contributed by P. D. BETTERLEY, Assistant Treasurer, Graton & Knight Co.; Vice-President in Charge of Insurance Division, American Management Association.

tries, courts have decided that rain is not a peril of the sea and, in others, it is the custom to expect underwriters to pay for all risks to which shipments are exposed unless definitely excluded in the policy. The general conclusion is that an extension of the marine policy to cover from warehouse to warehouse does not extend such coverage to any risks which are neither perils of the seas nor perils similar in kind. Various decisions are quoted. *The Eastern Underwriter*, June 23, 1933, p. 32.

Underwriting the Automobile Owner Rather Than the Machine

It has been customary to think of the automobile, or motor vehicle, as a unit of insurance risk, but some maintain that the real risk is the owner of vehicles. It is pointed out that the care exercised by the owner in keeping the machine in good condition is a deciding factor in establishing value, which may be considerably out of line with prevailing market prices. It suggests the value of careful analysis of the risk, and grading according to owner's standing and effective care of various insurable properties. *The Weekly Underwriter*, June 3, 1933, p. 1054:1.

Cannot Divide One Risk

According to the Michigan Supreme Court no matter what the description of the property contained in the policy is, it is

legally impossible to make a fire policy apply to only certain portions of a single building, rated as one risk. In a case at court, the insurance covered on a set of buildings which had been added to, and some of the insurance carriers maintained that their policies covered certain sections only. The court further stated "One building, constructed in part at different times, is not divided into separate units by the character of the roofing or by designation of the kind of roof on a part thereof." *The Eastern Underwriter*, July 7, 1933.

Notice to Cancel Held Ineffective

Notice of cancellation of a fire insurance policy by the insured, received by the company after a fire, is ineffective. The Court stated "The law seems to be well settled that a request for cancellation is not effective until delivery to the insurance company for its authorization is made, and that such delivery does not result from a mere deposit of a request to cancel in the mail."

Note: This is consistent with the general rule that an insurance policy is not effective until the insurer has agreed to acceptance of the risk, even though an order may have been placed with a broker or agent. In general practice, the question is seldom raised where reputable concerns or individuals are involved. *N. Y. Journal of Commerce*, June 3, 1933.

OFFICE MANAGEMENT

Organization: Job Analysis, Employment, Pay, Tests

Intelligence and Clerical Jobs

The similarity of findings in two studies of the relation of test scores to job held, made independently in two different kinds of business offices, the Scovill Manufacturing Company and the Ætna Life Affiliated Companies, strikingly confirms the conclusion that there is a significant and consistent relationship between intelligence test scores at time of employment and advancement in clerical work. By Millicent

Pond and Marion A. Bills. *The Personnel Journal*, June, 1933, p. 41:16.

Now the Upturn Has Arrived—How Are You Handling Salary Increases?

Companies desiring to cooperate to the fullest extent in the present revival of business face the problem of handling pay increases so that they will keep step with the improvement in business. The plan worked out by one company, based on re-

relationship between sales, profits and the amount of salary increases, is explained.

X By J. H. MacDonald. *System and Management Methods*, July, 1933, p. 304:1.

How We Get the Best Out of Executives

"I am convinced," the Managing Director of the Viaduct Sewing Machine Co., Ltd., states, "that there exists no kind of incentive more effective in getting the best out of a man—however high or low he is in the scale—than a real liking for his job." To insure such a happy relationship, considerable attention is paid to interviewing

prospective executives in order to ascertain whether their interests and ambitions are compatible with the position they are to fill. Executives, once hired, are encouraged to mix freely and, to this end, conference-luncheons are held weekly, when budgets, suggestions and common problems are discussed in a free and friendly manner. Executives are given a large measure of freedom in the operation of their department. It is maintained that "this freedom encourages confidence and initiative, two strong forces to develop a man's interest and happiness in his job." By Arthur James. *Business*, June, 1933, p. 7:3.

Records: Forms, Charts, Cards, Files, Statistics

Allocate Responsibilities with Organization Charts

Practical suggestions are advanced in connection with the problems of policy arising out of the compilation and use of organization charts. "It is only occasionally," the author states, "that there is a valid ex-

cuse for not letting every one know in black and white just where they stand in the company. Eventually the issue must be faced. When it is, and a chart published, the personnel, must conform to the chart, or the chart be changed. The stronger will win." By S. A. Weart. *Mill & Factory*, June, 1933, p. 39:2.

PRODUCTION MANAGEMENT

General: Promotion, Organization, Policy, Development

A Nation-Wide Survey of the Blue Print and Allied Industries

Of the one hundred and thirty companies included in this study, for which the year 1930 was used as a basis, 30 were profit casualties. In other words, 23 per cent of the concerns operated their total business at a loss for the year. This does not necessarily indicate that these thirty companies operated all of their departments at a loss, because profitable operations are often obscured by unprofitable ones. An analysis in the "All Commodities Combined" section of this report indicated the number of casualties in each line.

The findings in this report cover almost every phase of activities in the blue print and allied industries and is designed to en-

able individual manufacturers and distributors to locate opportunities for revising methods and practices where it seems desirable. The data are presented in such a way that individual members of the industry can determine their relation to the commercial structure of others with similar characteristics in their own or any other geographical location. Almost 700 tables present these findings. By Donald K. Wallace. *United States Department of Commerce*, May, 1933.

Construction Industry

Summary for the United States. Fifteenth Census of the United States: 1930. *United States Department of Commerce, Bureau of the Census*, 1933. 180 pages.

Training and Education: *Schools, Libraries, Apprenticeship, Employee Publications, Bulletin Boards*

Vocational Guidance in a Planned Society

This article is a summary of the discussion on the problem considered at the convention of the National Vocational Guidance Association in February, 1933. The need for research and research technique was stressed as being of paramount importance in connection with the determination of the character and requirements of all

occupations; the discovery and interpretation of economic, industrial, and sociological trends; the unearthing of all the factors that contribute to unemployment; the pitiless evaluation of all that we do in terms of the objectives we have set up; and the fearless critical study of those objectives in terms of constantly changing conditions. By Ralph L. Newing. *Trained Men*, Summer, 1933, p. 40:3.

Employment: *Classification, Selection, Tests, Turnover*

Industrial Psychology at Rowntree's Cocoa Works

A survey of the work of the psychological department at Rowntree's, with special reference to the divising, application and validation of selection tests. Over a number of years during which a variety of labor conditions were encountered, and the advice of the psychologist had in a number of cases to give way to the necessities of the employment situation, the misfits have nevertheless been practically halved. Disregarding such cases, and judging psychological selection purely by the discrepancy between its forecast and actual results in the workroom, it has been proved to be

right in approximately 95 per cent of the cases. By V. Moorrees and C. H. Northcott. *The Human Factor*, May, 1933, p. 159:10.

Federal Employment Service

Secretary of Labor Perkins has set the goal of the new U. S. Employment Service at complete reorganization of the nation's labor market. Job analysis will play an important part in the new service which, it is hoped, will eventually absorb all fee-charging, private agencies. The system is designed to facilitate interstate exchanges of labor to meet employment conditions. *The Business Week*, June 24, 1933, p. 20:1.

Industrial Economics: *Labor and Capital, Legislation, Wage Theory, Immigration*

Why We Need a Minimum Wage Law

"If the ten per cent of business men who are willing to exploit labor can be controlled," the Secretary of Labor asserts, "I feel that the others can be depended upon to fix fair standards of hours and wages." The ability to move to places where inspectors are not on the lookout for him and to leave quickly when discovered is of vital importance to the sweatshop operator. It is an ability which the licensing provisions of the National Industrial Recovery Act—if carefully enforced—will do

much to remove. The purpose of the Act, she states, is "to protect the reputable business man against sweatshops and other forms of vicious competition which force down wage scales and buying power." By Frances Perkins. *Nation's Business*, July, 1933, p. 23:4.

Minimum Wage Legislation in the United States

This summary of fact and opinion is divided into the following sections: Early Experience in Other Countries; Minimum

Wage Laws in the United States, 1912-1923; Experience in the United States; the Constitutionality of Legislation in the United States; Minimum Wage Legislation in the United States, 1933; Arguments for and Against Legislation in the United States. A short bibliography complements the text. Prepared by Eleanor Davis. *Industrial Relations Section, Princeton University*, 1933. 29 pages.

A Review of Minimum Wage Legislation

Figuring prominently in recent legislation of both the federal and state governments, the minimum wage issue is again definitely raised, at a time when existing conditions and recent experience are likely to be factors in the final judicial opinion as to its constitutionality.

The first minimum wage law was passed by Massachusetts in 1912. During the following years, the tendency for other states to pass similar legislation spread rapidly until 1923 when it was checked by an adverse decision on the part of the Supreme Court of the United States. The Court was faced with two conflicting principles, the issue being whether the right to contract freely for one's services was or was not superior to the police power of the state to regulate conditions affecting the health, safety, and morals of its citizens. Five justices upheld the superiority of the right of contract, and three took the opposing view.

During the years following 1923, the minimum wage issue was relatively dormant throughout the United States. It was not until 1930 that the issue again became important due to the low wages paid by some employers to women workers as a result of the depression. In 1933, 13 states considered minimum wage bills and 5 enacted these bills into law.

While there has been no recent change with regard to the constitutionality of minimum wage laws, so far as court decisions are concerned, recent legislative activity in this field indicates a belief on the part of many that another test might

reveal a reversal of position on the part of the Supreme Court, or that recent acts have been worded in such a way as to avoid former constitutional objections. *Conference Board Service Letter*, June 30, 1933, p. 41:4.

Industrial Disputes in the United States from 1916 to 1932

A summary of industrial disputes in the United States from 1916 to 1932 shows that there was a decline in both the number of disputes and the number of persons affected in 1932 as compared with 1931, but an increase in both items as compared with 1930. The states of Massachusetts, New York, Pennsylvania, and New Jersey accounted for about 60 per cent of all the disputes reported for 1932. *Monthly Labor Review*, June, 1933, p. 1295:10.

Adjusting Hidden Costs in Industry

There are factors of expense that may be somewhat intangible but nevertheless show up in the results at the end of the year, and leave their mark on the financial history of the concern. Determining these costs is far more difficult than setting up those that are definitely shown as separate items in the expense statement.

One source of hidden costs lies in the personnel of any employing concern. In the final analysis all business problems become personnel problems. The fundamental elements that make or break any enterprise are tied up in its man-power, in their initiative, their energy, their sound judgment, and their intimate knowledge and experience.

The director of the personnel department of Armour and Company explains that organization's approach to the personnel problem, which is based on two definite questions: 1. Have we the type of plan, or organization structure that will most effectively and economically accomplish the purpose? 2. Have we the most capable individuals manning that structure?

When an organization can answer both of these questions in the affirmative, it should then be able to eliminate most of

the hidden costs that lie in the personnel problem, such as cost of selection, employee turnover, training, maintaining the employees' well-being, etc.

Mr. Ellerd concludes: "The whole subject of adjusting business to present conditions necessitates not only an open mind, but one that questions everything. Not only must known conditions be adjusted and waste eliminated, but even more than that, hidden costs must be uncovered and put under control." By Harvey G. Ellerd. *Industry*, April 1, 1933, p. 1:3.

The Cost of Living and the Minimum Wage

In view of the tremendous importance which is being attached to the minimum wage provisions of the industrial codes submitted under the National Industrial Recovery Act, three pertinent questions are considered: 1. Whether statistical information regarding differences in the cost of living in different localities is available or could be readily procured; 2. Whether such information, if available, seems likely to be used to establish local differentials in minimum wages; 3. Whether in the absence of such information some other basis could be used to determine a uniform mini-

mum wage for all establishments of an industry lying within broad geographic regions.

A survey of the field reveals that the insufficiency of direct or indirect evidence of the existence of cost of living differentials would seem to render it unlikely that such possible cost of living variations will figure prominently in the establishment of minimum wages under the Act. In the absence of such differentials, the only practical means of determining minimum wages in different localities will be the experience of the past. "It seems probable," the report concludes, "that minimum rates for today will be based on rates that were deemed generally acceptable at some earlier period when there was little or no unemployment, say 1926 or 1929, with due allowance for the fact that since these dates, the cost of living has declined materially. It seems probable also that in the eventual regulation of rates, provision will be made for their increase in case authoritative statistics show an increase in the cost of living, which seems very likely to ensue if the price-raising program of the Administration should be successful." *Memorandum No. 9, National Industrial Conference Board*, July 14, 1933. 9 pages.

Labor Relations: Collective Bargaining, Employee Representation, Arbitration

Collective Bargaining Through Employee Representation

A discussion of the purpose of employee representation, the methods followed in developing and introducing employee representation plans, the forms of organization of most of these plans, the usual practice in introducing them, and a description of two typical plans based on the committee form of organization. The first was designed for a company having approximately 500 employees, all of whom were working at one location. The second was designed for a company operating a number of plants or having employees in

several working locations. *Policyholders Service Bureau, Metropolitan Life Insurance Company*, 1933. 39 pages.

German Cartel Experience in the Light of the National Industrial Recovery Act

The experience of Germany during the last sixty years with central control of industry through the cooperation of independent enterprises offers a source of information that should prove of great value to American trade associations and business leaders in building up a machinery for the administration of the Recovery Act.

Some of the codes of fair competition that have already been prepared for submission to the National Recovery Administration indicate that little attention was paid to the establishment of an adequate administrative system for the prevention of abuses of the code, adjustment of disputes among individual members of the association, maintenance of harmonious relations with other industries, and promotion of satisfactory relations with the industrial workers. The need for a carefully devised administrative system will become obvious as soon as a code of fair competition is approved and the industry begins to operate under it. In order to provide a machinery for supervision and coordination of trade association activities, it is necessary to understand the nature of the problems that will arise in connection with the adminis-

tration of the codes. Many of the difficulties experienced by German cartels will probably have to be faced by the American trade association. In order that these difficulties may be better understood, the outstanding characteristics of the German cartel system and the chief problems of cartel management are described and analyzed. *Memorandum No. 8, National Industrial Conference Board, July 7, 1933. 14 pages.*

Employee Representation

A list of references which includes books, pamphlets and magazine articles and is divided into the following sections: general studies; organization and administration; specific plans in the United States; work councils in foreign countries. *Industrial Relations Section, Princeton University, July 14, 1933. 6 pages.*

Shop Methods: *Industrial Engineering, Standardization, Waste, Rate Setting, Time and Motion Study*

The Motion Picture Camera in Time and Motion Study Research

For purely research purposes the motion picture camera forms a very satisfactory tool for recording and measuring motions of the subject. The results of some simple experiments are reported and illustrated to show how the motion picture camera has been used in a study of common hand and finger motions typical of those used in ordinary factory work. The micromotion study technique was used for analyzing and measuring the motions.

A 12-page bibliography on motion study and related topics complements the text of this report. By Ralph M. Barnes, *International Review of Educational Cinematography*, June, 1933, p. 412:24.

We Give Them What They Want—But Standardize Just the Same

You cannot standardize customers' demands. But a hundred variations of a basic product do not mean a hundred different standard times. You can, in short, by analyzing variables, go a long way

towards simplifying the job of giving customers what they want and still maintaining the thin black line of profits. An analysis of how this is accomplished in the AC Spark Plug Company is given. By Meredith Spear. *Factory Management and Maintenance*, July, 1933, p. 259:4.

Storage Up—Costs Down

Important economies have been effected at the Abbott Laboratories through a radical revision of the methods of handling and storing finished goods.

Formerly cartons came to the storeroom on skids. One man pulled the lift truck, another pushed, and often a third had to steady the load—or else cartons fell off and bottles were broken. Then it took three men to hand up the cartons one by one and stack them.

But now the cartons of finished goods arrive from manufacturing via conveyor. A wooden pallet is placed on bolsters, and the cartons are stacked on it. One man handles the loads, whether floors are rough or not. In the storeroom, one load is

stacked on top of another. The first in each tier is set on bolsters; the second is transferred from lift truck to tiering machine and hoisted on top of the first. By Arthur Van Vliissingen, Jr. *Factory Management and Maintenance*, July, 1933, p. 269:2.

Motion Study In—Waste Effort Out

Being motion-minded is definitely a question of mental attitude, and the problem of making an organization motion-minded is an educational one which can be most effectively carried on by group work. The

Hood Rubber Company inaugurated a general campaign to arouse every individual in the organization to think in terms of elements of motion. With such a program the spirit of economy of effort and motion has grown with a consequent elimination of waste motion and an increasing interest in the laws and principles of good motion practice. The byproducts are increased personal efficiency, an increased knowledge of how operations are performed within the department, and a broader perspective of factory operations as a whole. By A. Williams, Jr. *Factory Management and Maintenance*, July, 1933, p. 265:3.

MARKETING MANAGEMENT

Will an Open-Price Agreement Tide Your Industry Over the Waiting-for-Washington Period?

General Johnson's O. K. of open-price arrangements gives many industries an excellent opportunity to achieve some state of order out of the price chaos which is befuddling nearly everyone. This article outlines what an open-price agreement is and how it may be put into effect immediately and operated successfully without the dangers of price extortion. As told by R. O. Eastman to Herbert Kerkow. *Sales Management*, July 15, 1933, p. 63:2.

An Analysis of the Distribution Costs of 312 Manufacturers

The information presented in this report is based on data supplied by 312 manufacturers representing 29 leading industries of the United States. Part I is devoted to an analysis of the cost of distributing consumer products and Part II to the cost of distributing industrial products. Distribution costs have been determined for each company in relation to net sales volume, no dollar figures being included.

Each part of the study is broken down into the following divisions: Total Cost of Distribution; Direct Selling Costs; Advertising and Sales Promotion; Transpor-

tation Costs; Warehousing and Storage Charges; Credit and Collection Expenses; Distribution Costs by Industries; Comparison of 1932 Budgets with 1931 Expenditures. *Association of National Advertisers, Inc.*, 1933. 109 pages.

The Evolution of the Transparent Package

A summary of the events which have led to the present era of transparent packaging is given. It concludes: "There may be varying tendencies toward rigid or semi-rigid transparent materials or to combinations of transparent and semi-transparent substances, but visibility in packaging has proven itself too great a merchandising asset to lose its hold on an industry whose product is so dependent upon sight appeal for sales and whose leaders are steadily gaining in merchandising mindedness." By R. W. Wilmer. *The Manufacturing Confectioner*, June, 1933, p. 50:5.

What Is "Sales Management?"

There has been considerable disagreement with the definition of "sales management," in the glossary of marketing terms, issued recently by the National Association of Teachers of Marketing and Advertising. This wide variance from Natma's defini-

tion is shown in the conception of sales management quoted in this article for sales executives of such companies as E. R. Squibb & Sons, Chrysler Corporation, American Agricultural Chemical Company, and General Cigar Company. By Philip Salisbury. *Sales Management*, May 1, 1933, p. 475:3.

An Aid for Analyzing the Market for General Consumer Goods in the Pacific Southwest

This study is one of a series designed to assist distributors in analyzing the relative

importance of markets in the different subdivisions of the United States. Special factors affecting markets in the Pacific Southwest area are discussed. Data are given for: retail sales; land area; population; population and retail sales index for cities and urban places with a population of 2,500 to 10,000; total retail sales index for all cities and urban places with a population of 10,000 or over; and retail sales index for the balance (rural) of the district. *Domestic Regional Division, Bureau of Foreign and Domestic Commerce, U. S. Department of Commerce, 1933. 16 pages.*

Sales Promotion: Letters, House Organs, Advertising

Building Sales by Knowing Consumers' Tastes

Many important changes were made in the products and policies of General Motors of Canada as the result of a carefully planned and executed program of consumer research. The questionnaires which the company distributed were not designed to promote sales but were drawn up in an effort to collect facts concerning consumers'

preferences. The returns were carefully studied by the management. In the light of costs, availability of materials, standardization necessities and a score of other factors, the products of the company were adapted to the consumers' preferences wherever practical. Although this policy of complete follow-through on research findings was put in operation only recently, it has already paid. By Norman G. Shidle. *Forbes*, June 1, 1933, p. 6:3.

Salesmen: Selection, Training, Compensation

Greater Sales at Less Cost When We Tried Selective Routing

The director of sales research and planning of Abbott Laboratories outlines that organization's system of routing salesmen. Each salesman's territory is laid out by map and analyzed according to three methods: 1. A "territory analysis sheet" which lists all towns in the territory having 10 or more prospects. It shows the number of prospects in each town and the per cent of the total in the territory; 2. A periodic chart shows the frequency and regularity of the proposed trips to each of the more important towns over a period of six months or more; 3. Route sheets for each separate trip are supplied to the salesmen. These sheets list the total number

of prospects in each town. While the salesman is not expected to see every prospect on every trip, the men average 12 to 14 contacts per day under the plan. Sample analysis sheets are illustrated. By A. D. Brush. *Sales Management*, July 15, 1933, p. 72:3.

The Impersonal Handling of Persons

Three types of prospects, the "sitting down" type, the "standing up" type and the "counter type," are described in this article by the president of the Retail Credit Company who discusses his company's code in approaching people in its business of collecting and distributing credit data. It includes a belief in the inherent honesty of people; a conviction that character is the

only accurately determinable factor in credit; a policy for the impersonal handling of persons; and a desire to build friendship

for the company by rendering an adequate service efficiently. By Walter C. Hill. *The Red Barrel*, June 15, 1933, p. 14:5.

Buying, Receiving, Storing, Shipping

Why a Purchasing Department?

A highly organized buying group is only essential to the successful operation of a business insofar as specialized training is necessary for efficient results in buying. To demonstrate that such training is necessary, 140 divergent problems which arise in connection with purchasing, are listed. By Edward T. Gushée and E. P. Lovejoy. *Factory Management and Maintenance*, June, 1933, p. 239:3.

The Air Express

Reductions in rate schedules as well as C. O. D. collection rates have made air express companies a transportation factor which should be reckoned with in those instances where transit time must be reduced to a minimum. More than 12,000 miles of air express routes are already established and intimately coordinated with existing rail, truck and water facilities. By J. H. Butler. *The Bankers Magazine*, June, 1933, p. 549:5.

Retailing

Operating Results of Department and Specialty Stores in 1932

The information and conclusions contained in this bulletin are based on profit and loss statements, balance sheets, and other materials received on 501 separate schedules covering the operations of more than 600 stores during 1932.

The difficulties of department stores and specialty stores during the last three years seem to have centered around the following facts:

1. There has been a pronounced decline in prices, bringing with it a pronounced decline in dollar sales volume.

2. This decline in sales due to lower prices was accompanied in 1932 at least, by a decline in the physical volume of goods sold.

3. Owing to the fact that stores have not been able to increase their percentage of gross margin, and in fact have found it necessary to decrease those percentages slightly, dollar margins have fallen somewhat more rapidly than sales.

4. In the fact of these declines in dollar margins, store executives have reduced dollar expenses, but have found it impossible

to cut these expenses as rapidly as margins fell, so that the narrow profit margins prevailing prior to 1929 have been entirely wiped out.

These problems as discussed and the major tasks of the department store executive in 1933 pointed out: 1. To appraise correctly the forces which have been brought into play primarily by the depression and to devise ways of counteracting those forces or of minimizing their bad effects; and 2. To decide what forces were at work prior to 1929 or 1930, especially during the five years beginning with 1925, and whether those forces are still at work but lost sight of in the more violent disturbance caused by the depression, and to devise proper policies to meet these forces. Numerous tables complement the text of the report. By Carl N. Schmalz. *Harvard University Bureau of Business Research Bulletin No. 91*, May, 1933. 57 pages.

Retail Distribution

Summary for the United States. Fifteenth Census of the United States: 1930. *United States Department of Commerce, Bureau of the Census*, 1933. 179 pages.

Expenses and Profits of Department Store Chains and Department Store Ownership Groups in 1931

This bulletin contains statistics covering completely the operating and expense statements of department store chains and women's apparel chains. Among the conclusions drawn are the following:

1. Of the various types of retailing, independent department stores and variety chains are the most firmly established, as evidenced by their showing in a year of business depression.

2. The depression found many chain organizations engaged in substantial programs of expansion. The impetus of these expansion programs carried through the early years of the depression, with the result that there was a marked increase in the number of stores operated in 1931 as compared with 1929. Up to the end of 1931, however, so-called department store

chains were less successful in maintaining aggregate volume by means of their increased number of stores than were variety chains.

3. Ownership groups of department stores have not yet proved themselves superior to independent department stores. They are clearly not chains.

4. Women's apparel chains have not yet established their success. This conclusion, however, must be somewhat qualified because of the rather inadequate evidence available.

5. In general it may be said that rates of gross margin, total expense, and stock turnover among different types of retail businesses apparently are more closely related to kinds of merchandise handled than they are to types of retail organization. By Malcolm P. McNair. *Harvard University Bureau of Business Research Bulletin No. 90*, May, 1933. 41 pages.

Books Received

Major Forces in World Business Depression. National Industrial Conference Board, New York, 1931. 52 pages. \$1.50.

Problems in Human Engineering. By F. Alexander Magoun. Macmillan, New York, 1932. 535 pages. \$2.60.

Prohibition: A National Experiment. Edited by: James H. S. Bossard and Thorsten Sellin. American Academy of Political and Social Science, Philadelphia, 1932. 269 pages. \$2.50.

Red Russia. By Theodor Seibert, translated from third edition by Eden and Cedar Paul. Century Co., New York, 1932. 425 pages. \$3.00.

Effective Bank Letters. By Alice A. Kretschmar. (Kretschmar Service). Bankers Publishing Company, New York, 1928. 285 pages.

Union Tactics and Economic Change. A case study of three Philadelphia textile unions. By Gladys L. Palmer. University of Pennsylvania Press, Philadelphia, 1932. 228 pages. \$2.00.

Unemployment Insurance in Switzerland. By T. G. Spates and G. S. Rabinovitch. Industrial Relations Counselors, New York, 1931. 276 pages.

Unemployment Insurance in Belgium. By Constance A. Kiehel. Industrial Relations Counselors, New York, 1932. 509 pages. \$3.50.

A Political and Cultural History of Modern Europe. By Carlton J. H. Hayes. Macmillan, New York, 1932 (revised edition). 863 pages. \$3.50.

The Credit Manual of Commercial Laws for 1933. (25th edition). National Association of Credit Men, New York, 1932. 492 pages.

National Directory of Commodity Specifications. Classified and alphabetical lists and brief descriptions of specifications of national recognition. Miscellaneous Publication No. 130. Prepared by Clarence W. Ingels. United States Department of Commerce, Washington, D. C., 1932. 548 pages. \$1.75 (cloth).

The March of Democracy. By James Truslow Adams. Charles Scribner's Sons, New York, 1932. 428 pages. \$3.50.

Scientific Capitalism—Why and How. By Gerald Barradas. Hooper Publishing Company, San Francisco, 1932. 326 pages.

Wages in the United States in 1931. National Industrial Conference Board, New York, 1932. 78 pages. \$1.00.

The Banking Situation in the United States. National Industrial Conference Board, New York, 1932. 157 pages. \$3.00.

Distributed Leisure. By L. C. Walker. Century Co., New York, 1931. 246 pages. \$2.25.

The Olney Redmond Plan. Olney Redmond, Schenectady, N. Y., 1931. 287 pages.

Survey of Books for Executives

Prices. By George F. Warren and Frank A. Pearson. John Wiley & Sons, Inc., New York, 1933. 386 pages. \$3.90.

The authors of this book advance the thesis that a stable commodity price level is dependent upon an equal rate of increase in the monetary stocks of gold and the physical volume of production. The statistics which they present indicate that prices rose if gold stocks increased more rapidly than the production of other things, and fell if the increase was less rapid.

The discussion of the varied effects of price changes and the resulting readjustments in economic relationships are particularly interesting in the light of current problems. The authors' position in regard to these problems may be best illustrated by a few quotations from their study:

"So far as can be judged by history, the best periods for humanity have been periods when commodity prices were rising slightly. Any effort to stabilize prices should make sure that no decline will occur, even at the risk of having a slight rise."

"A sudden and violent decrease in hours of work per week, or per year, for the whole population is not possible, without drastic curtailment in the standard of living. American people are not anxious enough for more leisure to be willing to reduce the standard of living to obtain it."

"The business philosophy of the world is

based on the pre-war increase in gold stocks faster than business grew. After each business decline, prices rose to a still higher level. If a business concern could only hold out until this rise occurred, it could usually pay. This is much less certain now that gold production is not keeping pace with the normal growth of business."

"In order to function, an economic society that is based on the private ownership of property must have a reliable medium of exchange. When the medium of exchange rises in value, the chaos that results leads persons to challenge this economic order. The thing that has broken down is not 'capitalism,' which is another name for private enterprise, but merely the medium of exchange. . . . If we change from a society based on private enterprise to a communistic one, it should be done on the basis of the relative merits of these two systems and not because we have failed to invent a reliable measure of value."

"If all the former gold-using countries return to the gold basis and if the United States continues to maintain its present monetary standard, it is to be expected that commodity prices will average below pre-war for the next ten years. Although it is possible that reduced world demand for gold may raise prices, or that a monetary change will be made, the safe policy for any farmer or business concern is to

plan for prices below pre-war but to be on the alert for violent price fluctuations which are certain, for possible changes in the demand for gold, or for a monetary change."

Business Under the Recovery Act. By Lawrence Valenstein and E. B. Weiss. Whittlesey House, McGraw-Hill Book Co., New York, 1933. 350 pages. \$2.50.

The purpose of this book is to paint for the manufacturing executive whose prime interest is in the sales end of his business a picture of merchandising, selling and advertising under the National Industrial Recovery Act.

A product is made. It rests in the manufacturer's warehouse. How will its passage from that point to the ultimate consumer be influenced by the Act? That is the broad question this book undertakes to answer. It will be of interest to retailers and jobbers as well as to manufacturers. "If the Act accomplishes only one-third of what it has set out to do, the American merchandising picture will no more resemble the economic scene of 1929 or 1932 than does the long skirt of 1933 resemble the knee-high style of the boom era," the authors state.

Labor Relations Under the Recovery Act. By Ordway Tead and Henry C. Metcalf. Whittlesey House, McGraw-Hill Book Co., New York, 1933. 230 pages. \$2.00.

This book aims to supply practical guidance to those interested in methods of organized dealing with employees in industries and companies which come under the provisions of the National Industrial Recovery Act. It is primarily a working manual for employers, executives of trade associations and personnel managers. The authors make no claim to special knowledge of how the administration will interpret the labor provisions of the act in detail. But it seems clear to them that the act will encourage both directly and indirectly a considerable development of "company

unions" and of collective bargaining dealings. The authors discuss the advisability and practicability of various forms of joint dealing, setting forth in some detail what procedure to institute and how to proceed.

Social Work Year Book—1933. Edited by Fred S. Hall. Russell Sage Foundation, New York, 1933. 680 pages. \$4.00.

Part I of this year book presents a record of organized activities in this field. Part II contains descriptive directories of 387 national agencies, public and private, and 449 state public agencies in the field of social work or closely related fields.

Cartels, Concerns and Trusts. By Dr. Robert Liefmann. E. P. Dutton and Company, New York, December, 1932. 379 pages. \$6.00.

"There is today no single commodity whose price remains unaffected by monopolistic competition." The author emphasizes the reality of the problem of monopoly; the tendency to a higher organization of industry; the growing importance of trade practice; and the incidence of business risk.

The relation and differences between the German Cartel and trusts and monopolies in various parts of the world is explained. The author further discusses the newest refinements of German industrial organization, German experiments in state regulation and democratic control, and the bearing of industrial combinations on national tariff systems. The sympathy of the author is with the cartel type, in which he sees the most advantageous relation between individual enterprise and common market policy.

Periodicals Directory, 1932. Edited by Carolyn F. Ulrich. R. R. Bowker Company, New York, 1932. 323 pages. \$10.00.

A classified guide to 6,000 periodicals published in the United States and foreign countries, especially in England, France

and Germany. The directory consists of two parts:

Part I. Classified list of periodicals with a key to subjects and title index.

Part II. Bibliographies of Periodical Literature; Lists, Indices and Directories.

The entries include title, date of origin, frequency, size, price, publisher, place and indication of supplements.

Planned Money. By Basil P. Blackett. D. Appleton and Company, New York, 1933. 201 pages. \$1.50.

A director of the Bank of England sets forth a plan for the restoration of stability to the purchasing power of money in countries, such as Great Britain, that have gone off the gold standard. The essence of Sir Basil Blackett's plan is the maintenance of a constant price level through the public control of currency in each of the countries adhering to the system.

The American Transportation Problem.

Prepared for the National Transportation Committee by Harold G. Moulton and Associates. Brookings Institution, Washington, D. C., 1933. 915 pages. \$3.00.

This is a discussion of the issues involved in stabilizing and reorganizing American transportation, which grew out of the findings and recommendations of the National Transportation Committee appointed last fall by President Hoover under the chairmanship of the late Calvin Coolidge.

After a brief review of the stages through which our transportation development has passed, the general situation as to regulation, and the relative importance of the various forms of transportation at the present time, consideration is given to the basic principles which should be borne in mind in determining the future transportation development of the United States. The factors primarily responsible for the volume of fluctuations in the net operating income of the railroads are analyzed, with particular reference to recent trends. The

financial structure and financial policies, regulation of the level of rates and re-orientation in transportation regulation are topics considered in some detail.

The recently issued report of the National Transportation Committee with its final recommendations is contained in the Preface to this volume.

Statistical Procedure of Public Employment Offices. By Annabel M. Stewart and Bryce M. Stewart. Russell Sage Foundation, New York, 1933. 327 pages. \$2.50.

This is an analysis of the scope and methods of recording facts in the daily work of public employment exchanges in various countries and a presentation of a plan of statistical procedure for public employment offices in the United States, made for the Committee on Governmental Labor Statistics of the American Statistical Association.

The Whitley Councils Scheme. By John Barton Seymour. P. S. King & Son, Ltd., London, 1932. 253 pages. 12s.

The Whitley Councils Scheme, inaugurated in England in 1917, was a plan for joint representation the aim of which was to promote industrial harmony by securing an improvement in the relations between employers and workers. This book gives the history of the scheme, describes its application and methods of procedure, and presents an evaluation of the effect of the councils upon labor problems in British industry.

The Situation in Germany at the Beginning of 1933. National Industrial Conference Board, Inc., New York, 1933. 50 pages. \$1.50 (paper bound).

This study deals principally with the position of Germany as a debtor nation. It describes the struggle that has been going on in Germany during the last two years to maintain the gold standard and to avoid default on Germany's private foreign obligations; the struggle for political power which reached its climax in the appoint-

ment of Adolf Hitler to the position once held by Bismarck is discussed; Germany's balance of international payments is analyzed and a new estimate presented of Germany's foreign debt, of the amount that Germany had to pay to her private foreign creditors in 1932, and of the amount of foreign exchange available for that purpose.

The findings of the study are summarized as follows:

1. During 1932 Germany emerged from the depths of the financial crisis. In the second half of the year industrial and trade activity increased more than seasonally. Business is not expected to improve materially until investors begin to feel that the danger of political disturbances need no longer be taken into consideration in judging the safety of investments.

2. In 1932 the international accounts of Germany were balanced. Without the burden of reparation payments Germany is a solvent and going concern. A total foreign debt of about \$4,000 million is not excessive for a country of the size and strength of Germany.

War Debts and World Prosperity. By Harold G. Moulton and Leo Pasvolksy. Brookings Institution, Washington, 1932. 498 pages. \$3.00.

A lucid text and a well-organized statistical appendix combine to make this book a compact collection of data on the subject of war debts and reparations. The text is divided into five sections: 1. an introduction setting forth the scope and complexity of the problem; 2. a summary of the manner in which the allied debts were created and the negotiations whereby they were funded; 3. an outline of the changing status of the reparations problem; 4. an analysis of the causes responsible for the breakdown of the payment programs; and 5. a discussion of the economic implications of the debts.

The authors point out that a debtor country's capacity for meeting its inter-governmental obligations is dependent upon the

maintenance of a budgetary surplus, as well as an excess of income over outgo in its international trade and financial relations. They assert, however, that discussions of capacity to pay have a hypothetical rather than a realistic significance. On the other hand, they maintain as a certainty that a creditor country which is unwilling to receive payments—unwilling in the sense that other objectives receive greater consideration in the determination of national and international policies—cannot be paid.

Two general conclusions are advanced: 1. A complete obliteration of all reparation and war debt obligations would promote, rather than retard, world economic prosperity; 2. The collection of these inter-governmental debts would be economically detrimental, rather than beneficial, to the creditor countries.

J. E. H.

Forestry—An Economic Challenge. By Arthur Newton Pack. Macmillan Company, New York, 1933. 161 pages. \$1.25.

A brief history of the problems of forestry in the United States, and suggestions for solving them. The background necessary for a proper understanding of the new administration's forestry program is given. Chapter headings: Re-thinking Forestry; From Crusade to Economic Problems; Forest Use; Private Enterprise; Public Forest Administration; Foresters and Forest Education; Regional Planning and Economic Policy.

Twenty Years of Federal Reserve Policy. By S. E. Harris. Harvard University Press, Cambridge, 1933. Two volumes—865 pages. \$7.50 a set.

The first volume of this study is a comprehensive discussion of the history and theory of bank rates, discount policy, open market operations, moral suasion, and lesser phases of Federal Reserve policy in the United States since 1914. The second volume is a more intensive study of

policy during the critical six-year period from 1927 to 1933, with a supplement on the recent banking crisis.

The author stresses the fact that central banks, in attempting to impose their policies on the country, encounter very serious obstacles. The bank rate was found to play a relatively unimportant part in the determination of monetary conditions. The effectiveness of open market operations has been somewhat exaggerated and experience has demonstrated rather conclusively that the mere creation of balances (reserves) by central banks cannot of itself bring about business recovery. The use of moral suasion as a weapon of control is fraught with danger and frequently precipitates dissension within the System.

"A survey of the philosophy of central-bank control," the author concludes, "is convincing on this point: expediency has always colored the policy. Stability was pronounced as the aim of reserve policy when conditions were stable; but any untoward developments were followed by silence on this head. The need of applying measures of trade and production to determine the volume of credit to be created was stressed consistently in the early post-deflation years; but creations of credit, excessive in view of the advance of trade and industry, resulted in the abandonment of this test." Although he commends the recent attempts which were made in legislative chambers to curb the speculative excesses of 1922-29, the author insists that ideas concerning central banking have undergone many enforced changes since the establishment of the Federal Reserve System—a fact which certain legislators are reluctant to recognize.

Collective Bargaining Through Employee Representation. National Industrial Conference Board, Inc., New York, 1933. 81 pages. \$1.50.

Although the number of concerns with employee-representation systems declined 28 per cent from the peak of 432 in 1926 to 313 in 1932, the number of employees cov-

ered declined only 8 per cent, or from 1,369,078 to 1,263,194. It is significant that over 85 per cent of the employee-representation systems found to exist in 1932 had been in continuous operation for more than 10 years.

There are two basic and distinct types of employee representation systems. One, the joint representation type, stresses cooperative action of management and working force and provides for equal representation and equal voting power in the council. The other type, the employee-committee type, assumes that employee representatives can act with greater freedom and more truly represent the working force if there are no management members on the council. Some plans of this type, known as employee associations, closely parallel the organization of trade unions, with provisions for locals and a governing body of employee representatives, except that membership is confined to employees of the particular company. A type of plan known as "Industrial Democracy," which provides for a house of representatives elected from the rank and file, a senate of foremen, and a cabinet of executives, was introduced before the World War, enjoyed some popularity for a time, but proved too cumbersome for ordinary purposes, and steadily lost ground, until now only seven companies are known to have retained this type. The two general types, the joint committee and the employee committee, are sometimes combined to obtain the advantages of both. Thus, while the committees are considered to be basically employee bodies, they may be turned into joint committees at any time when conditions warrant.

"From merely adjudicating grievances," the report concludes, "employee representation plans have gone on to a larger field of usefulness in coordinating the efforts of management and worker to the advantage of both. They have provided a much needed medium of communication between management and working force, a two-way channel, always open, which when utilized in a spirit of fairness has been productive of much good to both parties."